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OFFICE OF REPORTS AND ESTIMATES  
TRANSPORTATION GROUP

23 November 1948

Weekly Intelligence Summary No. 39

## SECTION I. SUMMARY OF TRENDS AND DEVELOPMENTS

Although Switzerland has consistently supported the US in its desire to free international air commerce from protectionist limitations, Swiss aviation circles have expressed increasing dissatisfaction with this policy. Officials of the national airline, SWISSAIR, will probably exert increased pressure on the Swiss Federal Air Office to secure enactment of protective measures against the operations of foreign airlines. The official Swiss attitude in the forthcoming bilateral air negotiations with restrictionist-minded Argentina may reveal the effect of such pressure. (Item No. 1, C)

Pakistan has announced the immediate inauguration of air service from Karachi via Tehran to Cairo and Istanbul by the recently organized Pak Air, one of two licensed government airlines. (Item No. 2, C)

The Mexican-Portuguese air agreement, signed in Lisbon on 22 October 1948, formalizes the restrictionist policy consistently followed by Mexico in past unsuccessful negotiations with the US, UK, and the Netherlands. The agreement is the first formal air accord to be concluded by Mexico, and probably indicates the policy Mexico will continue to follow in future civil air negotiations. (Item No. 3, C)

Czechoslovak Airline officials estimate that their present operational equipment will be unserviceable by 1949, and are considering replacing the DC-3 aircraft now in use with the Swedish "Scandia". (Item No. 4, C)

Document No. 039NO CHANGE in Class. ☐☒ DECLASSIFIED

Class. CHANGED TO: TS S C

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 2 Mar 78 By: 028~~SECRET~~

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World Airways, Inc., a recently organized US irregular carrier, is reported to be seeking to participate in the movement of DP traffic from Europe. This company is not known to have engaged in any illicit undertakings. The organization is nevertheless considered suspect, because one of its vice-presidents, Martin J. Bellefond, was formerly president of Lineas Aereas de Panama (LAPSA), the operating subsidiary of Service Airways, whose clandestine air activities have been notorious. Officers of Service Airways are being prosecuted by the Department of Justice for violations of US law committed in connection with the activities of this corporation. (Item No. 5, C)

An attempt to ferry a converted B-24 aircraft to Europe for use by Israeli interests may possibly be in preparation. The addition of a B-24 type aircraft to the Israeli Air Force would materially strengthen its transport and combat potential. (Item No. 6, C)

The US Embassy in Prague has learned from a "reliable source" in the Czechoslovak Foreign Office that the USSR is bringing pressure on the Satellites to withdraw from existing international railway traffic agreements and participate in the establishment of a "strictly eastern European railway transport system." (Item No. 7, A)

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## SECTION II. CURRENT DEVELOPMENTS

CIVIL AVIATION

1. Although Switzerland has consistently supported the US in its desire to free international air commerce from protectionist limitations, Swiss aviation circles have expressed increased dissatisfaction with this policy. Officials of the national carrier, SWISSAIR, have long complained about the strong competition of foreign airlines which transit Switzerland and operate services paralleling SWISSAIR's external routes. The conviction that an unrestrictive civil air policy works largely to the disadvantage of Swiss aviation interests has been strengthened by recent difficulties experienced in SWISSAIR's fortnightly air service to South Africa via Tunis, Kano, and Leopoldville. Belgium has refused to allow Swiss aircraft to take on or disembark passengers or cargo at Leopoldville, and the British recently withdrew similar traffic rights once granted SWISSAIR at Kano. In addition, the South African Government recently notified SWISSAIR that its operations to Johannesburg must be terminated. In view of the above difficulties, it is probable that SWISSAIR will exert increased pressure on the Swiss Federal Air Office to secure enactment of protective measures against the operations of foreign airlines. This pressure may even be able to influence the official Swiss attitude in the forthcoming bilateral air negotiations with restrictionist-minded Argentina. STAT
  
2. Pakistan has announced the immediate inauguration of air service from Karachi via Tehran to Cairo and Istanbul by the recently organized Pak Air, one of two licensed government airlines. Pak Air is being operated under contract by Transocean Airlines, a US non-scheduled carrier, which is furnishing aircraft, personnel and ground facilities. Transocean has sold outright three DC-4's to Pak Air for its operations on the new through route to the Mediterranean. Transocean will also organize an overhaul base for a newly-formed maintenance company, Pakistan Aviation Ltd., to serve all commercial aircraft and 75 percent of the Pakistan Air Force. In addition, it will operate a flight school in Pakistan. STAT

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3. The Mexican-Portuguese air agreement, signed in Lisbon on 22 October, 1948, formalizes the restrictionist policy consistently followed by Mexico in past unsuccessful negotiations with the US, UK, and the Netherlands. The agreement is the first bilateral air accord to be concluded by Mexico, and probably indicates the policy Mexico will continue to follow in future civil air negotiations. The agreement reportedly contains a provision for the protection of "regional traffic", a restrictionist concept long advanced by Portugal and Spain. This clause probably obligates both Mexico and Portugal to limit the capacity and traffic rights of third countries whose carriers may later operate between Lisbon and Mexico City, thus placing such carriers at a serious competitive disadvantage. (Although the full text is not yet available, the Mexican-Portuguese agreement reportedly provides for air services between Mexico City and Lisbon via Habana or Miami, Bermuda and the Azores.) [redacted] STAT
4. Czechoslovak Airline officials estimate that their present operational equipment will be unserviceable by 1949, and are considering replacing the DC-3 aircraft now in use with the Swedish "Scandia" (a bimotored short-range air transport manufactured by Svenska Aeroplan A.B.). A demonstration of the "Scandia" in Prague is planned in the near future. This interest in Swedish aircraft is probably a result of the refusal of other Western European countries to sell modern commercial aircraft to Czechoslovakia. Should the Swedish Government permit the sale and export of "Scandia" aircraft and parts to Czechoslovakia or any other Soviet Satellite, US-UK efforts to restrict the development and expansion of Satellite airlines would be seriously hampered. [redacted] STAT
5. World Airways, Inc., a recently organized US irregular carrier, is reported to be seeking to participate in the movement of DP traffic from Europe. This company is not known to have engaged in any illicit undertakings. The organization is nevertheless considered suspect, because one of its vice-presidents, Martin J. Bellefond, was formerly president of Lineas Aereas de Panama (LAPSA), the operating subsidiary of Service Airways, whose clandestine air activities have been notorious. Officers of Service Airways are being prosecuted by the Department of Justice for violations of US law committed in connection with the activities of this corporation. [redacted] STAT

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6. An attempt to ferry a converted B-24 aircraft to Europe for use by Israeli interests may possibly be in preparation. The addition of a B-24 type aircraft to the Israeli Air Force would materially strengthen its transport and combat potential.

The operator of the aircraft, Transportes Aereos de Panama (TAPSA), has been under suspicion due to the activities of its Secretary-Treasurer and Director of Operations, Martin Bellefond, who has also been President of Lineas Aereas de Panama (LAPSA), operating subsidiary of the notorious Service Airways. Several prominent members of the Service Airways organization are now under indictment by a Federal Grand Jury for conspiring to violate US laws in exporting aircraft and arms to Palestine.

It is possible that preparations are being made to ferry this B-24 to Europe. In requesting the Panamanian Government to renew the aircraft's registration, TAPSA alleged that it was to be sold to the French Government, thus providing a basis for a future transatlantic flight permit request. The Panamanian Government has refused to renew the registration. Preparation for a flight to Europe is suggested, however, by the details of TAPSA's most recent CAA permit, granted on 5 October. TAPSA's application requested a permit for a flight from Teterboro, New Jersey, to Idlewild Airport, where the B-24's engines, radio and landing gear were to be overhauled and the aircraft was to be inspected for airworthiness by an aircraft and engine mechanic. Idlewild reports, however, that the B-24 has not arrived. It is possible that the aircraft (which has adequate range for transatlantic operation) has already been clandestinely flown out of the US.

NOTE: It is believed that grounds for denial of future flight permits for this aircraft may exist in the history of its registration.

The aircraft was originally registered in the US as NL-4674N. Panamanian registration (RX-102) was granted on 29 September 1947 and was later cancelled at the owner's request. Panama's refusal to renew RX-102's license leaves the aircraft without a valid registration. The operation of this B-24, therefore, would be illegal until such time as it has been properly registered.

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SURFACE TRANSPORTATION

7. The US Embassy in Prague has learned from a "reliable source" in the Czechoslovak Foreign Office that the USSR is bringing pressure on the Satellites to withdraw from existing international railway traffic agreements and participate in the establishment of a "strictly eastern European railway transport system." According to the source, the Czechoslovak Government anticipates that such a development would have a "catastrophic" effect on its foreign trade because it would necessitate the re-loading of all East-West shipments at the Czechoslovak border. The source considers it doubtful that the Government will argue the matter with the USSR, even though Czechoslovak technicians are determined to resist the change; the Czechoslovak Foreign Office reportedly expects Poland to accede reluctantly.

This development reflects a deep-seated Soviet dislike of all international agreements encompassing eastern and western participants. The primary Soviet objective is probably to extend and tighten its control over Satellite transport by coordinating rail lines in the USSR and Satellite areas under agreements which exclude the western powers, even though such an arrangement would certainly create serious restrictions in East-West trade.

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